

Message Text

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ACTION XMB-04

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 OPIC-06 SP-02

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R 110815Z MAR 76

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 8773

UNCLAS TAIPEI 1579

PASS EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, TW

SUBJECT: THREE EXIMBANK DELINQUENT LOAN CASES

REF: STATE 037776 AND 048797

1. SUMMARY EMBASSY CONTINUES TO WORK WITH MOF, BOFT AND LAW FIRM TO EXPEDITE REPAYMENT OF LOANS TO EXIMBANK BY THREE DELINQUENT COMPANIES, YUAN I, LIEN YU AND PANTEX. ACTIONS APPROPRIATE TO EACH CASE HAVE BEEN INITIATED. HOWEVER, IN CASE OF YUAN I, WHERE MOST PROGRESS WAS BEING MADE, SITUATION HAS SUDDENLY TAKEN TURN FOR WORSE WITH MAJOR FIRE AT PLANT MARCH 2-3, WHICH REPORTEDLY DESTROYED 10 BUILDINGS, AND 7,000 BALES OF COTTON. END SUMMARY.

2. ON MARCH 1, EMBOFFS CALLED ON HSUEH-HSI (H.S.) YEH, DIRECTOR OF OFFICE OF INTERNATIONAL FINANCE, MOF. EXPRESSED APPRECIATION FOR MINISTRY'S ASSISTANCE IN ITS ENDEAVOR TO GET YUAN-I OFFER REQUIRED BANK GUARANTEE, REQUESTED MINISTRY EXERT PRESSURE ON YUAN-I AS IT HAS REPEATEDLY REQUESTED WAIVER THIS REQUIREMENT IN SPITE OF EXIMBANK WILLINGNESS TO HELP BY LOWERING INTEREST, AND CALLED MINISTRY'S ATTENTION TO DELINQUENCIES OF LIEN YU AND PANTEX IN SPITE OF PROMISES TO HONOR THE RESCHEDULED

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PAYMENTS REACHED IN CONFERENCE AT BOARD OF FOREIGN TRADE

(BOFT) LAST OCTOBER. IT WAS AGREED EMBOFFS WOULD TALK WITH YUAN-I AND LAWYER C.V. CHEN FIRST AND THEN MINISTRY WOULD FOLLOW UP. EMBASSY TO TAKE UP CASES, MINISTRY ALSO AGREED COORDINATE WITH BOFT ON LIEN YU AND PANTEX TO RENEW PRESSURE.

3. PRIOR TO ABOVE, EMBASSY INQUIRED AND LEARNED FROM LIEN YU AND PANTEX THAT BOTH ARE HAVING TROUBLE BECAUSE OF SLUGGISH STRETCHED NYLON BUSINESS. LIEN YU PROPOSED TO DEFER 11-10-75 PAYMENT (PROMISED IN CONFERENCE WITH BOFT IN LAST OCTOBER) TO 3-10-76 AND POSTPONE THE 3-10-76 PAYMENT TO 4-10-76. PANTEX SAID THEY ARE IN VERY STRINGENT FINANCIAL SITUATION AND CANNOT EVEN SUGGEST A FUTURE DATE TO START REPAYMENT. ABOVE LIEN YU STATEMENT APPEARS BETTER THAN PANTEX BUT PROBABLY CAN'T BE RELIED UPON.

4. EMBASSY HAS JUST RECEIVED COPIES OF LETTERS FROM BOFT TO YUAN I, LIEN YU AND PANTEX DATED MARCH 9, REMINDING THEM TO HONOR THE RESCHEDULED OBLIGATIONS WHICH THEY PROMISED IN MEETING IN BOFT AND ASKING FOR RESPONSE WITHIN SEVEN DAYS. LETTER TO LIEN YU STRONGER THAN OTHERS.

5. YUAN I SITUATION SERIOUSLY COMPLICATED BY FIRE AT PLANT MARCH 2-3 WHICH REPORTEDLY DESTROYED 10 BUILDINGS, MACHINES AND 7,000 BALES OF COTTON. EMBASSY DECIDED ALLOW SEVERAL DAYS TO PASS BEFORE CONTACTING YUAN I. MANAGEMENT AS TO ACTUAL RESULTS OF FIRE, INSURANCE COVERAGE, FINANCIAL IMPACT, ETC. WILL REPORT NEAR FUTURE. UNGER

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